

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
Douglas County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025

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Independent Auditor's Report

To the Members of the Board of Directors
Sterling Ranch Colorado Metropolitan Districts No. 3
9350 Roxborough Park Road
Sterling Ranch, CO. 80125

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Sterling Ranch Colorado Metropolitan Districts No. 3 (the District), as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2025, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budget and actual statement of the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Assessed Valuation, Mill Levy, and Property Taxes Collected but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Denver, Colorado
May 21, 2026

BASIC FINANCIAL STATEMENTS

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
ASSETS	
Receivable from County Treasurer	\$ 49,305
Property Taxes Receivable	10,167,779
Total Assets	<u>10,217,084</u>
LIABILITIES	
Due to CAB	49,305
Total Liabilities	<u>49,305</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Taxes	10,167,779
Total Deferred Inflows of Resources	<u>10,167,779</u>
NET POSITION	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Program Revenues			Net Revenues (Expenses) and Change in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses				Governmental Activities
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental Activities:				
General Government	\$ 3,157,109	\$ -	\$ -	\$ (3,157,109)
Debt Service and Related Costs	6,089,233	-	-	(6,089,233)
Total Governmental Activities	<u>\$ 9,246,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(9,246,342)</u>
GENERAL REVENUES				
Property Taxes				8,580,413
Specific Ownership Taxes				660,647
Interest Income				5,282
Total General Revenues				<u>9,246,342</u>
CHANGE IN NET POSITION				-
Net Position - Beginning of Year				-
NET POSITION - END OF YEAR				<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Total Governmental Funds
ASSETS			
Receivable from County Treasurer	\$ 17,541	\$ 31,764	\$ 49,305
Property Taxes Receivable	<u>3,355,904</u>	<u>6,811,875</u>	<u>10,167,779</u>
Total Assets	<u><u>\$ 3,373,445</u></u>	<u><u>\$ 6,843,639</u></u>	<u><u>\$ 10,217,084</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to CAB	<u>\$ 17,541</u>	<u>\$ 31,764</u>	<u>\$ 49,305</u>
Total Liabilities	17,541	31,764	49,305
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	<u>3,355,904</u>	<u>6,811,875</u>	<u>10,167,779</u>
Total Deferred Inflows of Resources	<u>3,355,904</u>	<u>6,811,875</u>	<u>10,167,779</u>
FUND BALANCES			
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 3,373,445</u></u>	<u><u>\$ 6,843,639</u></u>	<u><u>\$ 10,217,084</u></u>

Amounts reported for governmental activities in the statement of net position
are the same as above.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 2,929,662	\$ 5,650,751	\$ 8,580,413
Specific Ownership Taxes	225,566	435,081	660,647
Interest Income	1,881	3,401	5,282
Total Revenues	<u>3,157,109</u>	<u>6,089,233</u>	<u>9,246,342</u>
EXPENDITURES			
County Treasurer's Fee	43,967	84,812	128,779
Transfers to CAB	3,113,142	6,004,421	9,117,563
Total Expenditures	<u>3,157,109</u>	<u>6,089,233</u>	<u>9,246,342</u>
NET CHANGE IN FUND BALANCES	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Amounts reported for governmental activities in the statement of activities
are the same as above.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$2,930,662	\$ 2,929,662	\$ (1,000)
Specific Ownership Taxes	263,761	225,566	(38,195)
Interest Income	-	1,881	1,881
Other Revenue	15,577	-	(15,577)
Total Revenues	<u>3,210,000</u>	<u>3,157,109</u>	<u>(52,891)</u>
EXPENDITURES			
County Treasurer's Fee	43,960	43,967	(7)
Transfers to CAB	3,150,463	3,113,142	37,321
Contingency	15,577	-	15,577
Total Expenditures	<u>3,210,000</u>	<u>3,157,109</u>	<u>52,891</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Sterling Ranch Colorado Metropolitan District No. 3 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the Douglas County (County) District Court issued on November 25, 2013 and recorded in the County records on December 10, 2013, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within Douglas County, Colorado.

The District was established to provide for the design, planning, acquisition, construction, financing, relocation, installation, completion, operation, maintenance, and repair or replacement of public improvements and services, including streets, park and recreation, water, sanitary and storm sewer, public transportation, mosquito control, traffic and safety controls, fire protection, and television relay and translation. Under its Service Plan, the District was organized in conjunction with six other related metropolitan districts and their associated subdistricts: Sterling Ranch Colorado Metropolitan District Nos. 1, 2, 4 through 7, Subdistricts 4A, 4B, 4C, 4D, 4E, 7A, 7B, 7C, 7D, and 7E. Sterling Ranch Colorado Metropolitan District No. 1 serves as a Management District and Sterling Ranch Colorado Metropolitan District Nos. 2 through 7, Subdistricts 4A, 4B, 4C, 4D, 4E, 7A, 7B, 7C, 7D, and 7E serve as Financing Districts/Subdistricts (collectively, the Districts). The Districts entered into a Community Authority Board Establishment Agreement (the CABEA), on January 6, 2014 (as amended and restated on June 29, 2015, March 18, 2020, and March 26, 2025), which establishes the Sterling Ranch Community Authority Board (the CAB). The CAB will own, operate, and maintain certain public improvements within the boundaries of the Districts.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees, and all operations and administrative functions are performed by the CAB pursuant to the CABEA.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The District reports the following major governmental funds:

The General Fund is the District's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal, interest and other related costs on long-term debt of the governmental funds.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The property tax revenues are recorded revenue in the year they are available or collected.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

Adoption of New Accounting Standard

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur with 12 months of issuance. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2025, the District had no cash deposits.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District will generally limit its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2025, the District had no investments.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 AUTHORIZED DEBT

The Service Plans for the Districts limit the aggregate amount of debt that they may issue together, including debt issued by the CAB, to \$1,800,000,000 (the "Service Plan Debt Issuance Limit").

On November 5, 2013 and November 4, 2014, the District's electors authorized the issuance of indebtedness for public improvements and refunding. The total debt authorization (for water, sewer, streets, etc.) exceeds the Service Plan Debt Issuance Limit as, at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Service Plan Debt Issuance Limit to each improvement category. Therefore, the Service Plan Debt Issuance Limit was voted in every power or for each improvement category. The District's authorized debt is reduced pursuant to its Pledge Agreement (see Note 5) with the CAB. As of December 31, 2025, the District's authorized but unissued debt is \$19,504,645,587.

NOTE 5 AGREEMENTS

Pledge Agreement

The District entered into an Amended and Restated Pledge Agreement (the Pledge Agreement) with the CAB, dated November 1, 2022, under which the District agrees to impose ad valorem property taxes upon all taxable property of the District, and to transfer the revenues generated from such mill levy imposition, along with specific ownership taxes collected in connection with such mill levy, to the CAB for payment of the CAB's Limited Tax Supported and Special Revenue Bonds, Series 2022 and other debt issuances as may be permitted under the Pledge Agreement.

NOTE 6 RELATED PARTIES

Sterling Ranch, LLC (SR LLC) is the owner of or hold options to acquire a significant portion of the properties comprising the service areas of the Districts. SR LLC, Sterling Ranch Development Company (SRDC), and Hobbs Investments, LLC (Hobbs), a single member LLC for which SR LLC is the sole member and SRDC is the manager (collectively with SR LLC and SRDC, the SR Entities) have each advanced funds to the CAB. Certain members of the Board of Directors of the CAB and Districts may hold direct or indirect ownership interests in the SR Entities or may be otherwise associated with the SR Entities and may have conflicts of interest in dealing with the CAB and the Districts.

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to the CAB. Therefore, the Emergency Reserves related to the District's revenues are reported in the CAB.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the state of Colorado. Annual operating revenue is limited to a 5.25% increase, such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues. The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to interpretation.

SUPPLEMENTARY INFORMATION

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 5,652,562	\$ 5,650,751	\$ (1,811)
Specific Ownership Taxes	508,731	435,081	(73,650)
Interest Income	-	3,401	3,401
Other Income	38,707	-	(38,707)
Total Revenues	<u>6,200,000</u>	<u>6,089,233</u>	<u>(110,767)</u>
EXPENDITURES			
County Treasurer's Fee	79,602	84,812	(5,210)
Transfers to CAB	6,081,691	6,004,421	77,270
Contingency	38,707	-	38,707
Total Expenditures	<u>6,200,000</u>	<u>6,089,233</u>	<u>110,767</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2021	\$ 10,779,380	33.398	55.664	\$ 960,033	\$ 960,036	100.00 %
2022	24,871,460	33.398	55.664	2,209,289	2,209,287	100.00
2023	39,752,960	37.863	53.543	3,631,235	3,627,813	99.91
2024	66,826,210	35.565	59.871	6,337,552	6,419,715	101.30
2025	91,854,820	33.984	61.538	8,583,224	8,580,413	99.97
Estimated for the Year Ending December 31, 2026	\$ 100,826,350	33.284	62.238	\$9,631,135		